

VU Research Portal

Differences between First-Generation and Second Generation Ethnic Start-ups: Implication for a Support Policy

Masurel, E.; Nijkamp, P.

2003

document version

Early version, also known as pre-print

[Link to publication in VU Research Portal](#)

citation for published version (APA)

Masurel, E., & Nijkamp, P. (2003). *Differences between First-Generation and Second Generation Ethnic Start-ups: Implication for a Support Policy*. (Research Memorandum; No. 2003-24). Faculteit der Economische Wetenschappen en Bedrijfskunde.

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal ?

Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

E-mail address:

vuresearchportal.ub@vu.nl

ET

05348

2003

024

**Differences between
First-Generation and
Second-Generation Ethnic Start-Ups
Implications for a New Support Policy
Research Memorandum 2003-24**

*Faculteit der Economische Wetenschappen
en Bedrijfskunde (FEWEB)*

vrije Universiteit

amsterdam



**Differences between
First-Generation and
Second-Generation Ethnic Start-Ups
Implications for a New Support Policy
Research Memorandum 2003-24**

**Enno Masurel
Peter Nijkamp**

Differences between First-Generation and Second-Generation

Ethnic Start-Ups

Implications for a New Support Policy

PN109EM

Enno Masurel
Economic and Social Institute
Faculty of Economics and Business
Administration
Free University Amsterdam
De Boelelaan 1105,
1081 HV Amsterdam,
The Netherlands
Tel. +31 20 444 60 80
Fax + 31 20 444 61 27
e-mail: emasurel@feweb.vu.nl
<http://www.feweb.vu.nl/esi>

Peter Nijkamp
Department of Spatial economics
Faculty of Economics and
Business Administration
Free University Amsterdam
De Boelelaan 1105,
1081 HV Amsterdam
The Netherlands
Tel. +31 20 444 60 90
Fax + 31 20 444 61 27
e-mail: pnijkamp@feweb.vu.nl
<http://www.feweb.vu.nl/re>

The authors wish to acknowledge the empirical fieldwork for this paper undertaken by Kurtulus Yüzer and the data analysis by Jan Holleman.

Abstract

This paper studies to what extent first-generation ethnic entrepreneurs show a different motivation to start their own business, in comparison with their second-generation counterparts. Our research project contains empirical fieldwork among Turkish entrepreneurs in the Greater Amsterdam area.

First-generation ethnic entrepreneurs are more motivated by discrimination, problems with the transferability of their diplomas and obtaining status, compared with their second-generation counterparts. The latter group derives more motivation from blocked promotion to start their own business. We found no differences between both groups in their motives for starting up, i.e. unemployment; need for achievement; making use of market opportunities; striving for independence; and using their own special talents. The reasons for finding fewer differences than expected between the two generations are discussed extensively in our paper.

Having shown what these differences are between the two generations, we may have laid the basis for a new support policy for ethnic entrepreneurs. This new support policy is based on the need to pay attention to both the motives for starting up business and the necessary preparatory activities. This contribution should be translated into a number of projects and programmes, as ethnic entrepreneurship is a multifaceted phenomenon with at least as many sides as there are ethnic groups.

1. Introduction

In the year 1688, a group of some 150 French Huguenots - made refugees as the consequence of religious suppression in France - left their home country. They joined Dutch settlers who had moved to the Cape area in South Africa in order to build up a logistic support centre for sailing ships to the Indies. This group laid the foundations for a sophisticated type of viticulture in an area called Fransch Hoek (French Corner) north of the nowadays well-known Stellenbosch area. They formed a small ethnic minority in a vast multi-cultural territory, but in the course of history they were able to build up a very competitive viticulture network based on high quality production. Nowadays this area offers superb wines and - supported by the traditional French haute cuisine - it has become an important tourist and wine selling region. Trust, competition, cultural separation, and high quality products were the initial success factors for this high performance.

This region is no exception to the world-wide phenomenon of high returns consequent upon international migration. Migration movements may sometimes have caused a great variety of problems, but they have also created many new opportunities. In recent decades, we have seen a large immigration from non-Western countries to Western countries: Algerians to France, Moroccans to Spain, Pakistanis to the UK, and Turks to Germany and the Netherlands: these are just a few examples of these movements of population. A significant number of these immigrants have become entrepreneurs (or came as entrepreneurs).

From history, we know that, as the years go by, the melting pot will often do its work, resulting in the increased merging of immigrant and native groups. It therefore seems a likely assumption that second generation immigrants (or ethnic people) show a profile that comes closer to the profile of autochthonous or native people, in comparison with their first-generation counterparts. This synergy process may sometimes be long lasting, but it definitely creates many benefits for society. Clearly, the socio-economic discrepancies between

migrants and natives are often a source of serious policy concern and even strong antagonism.

Many countries have developed dedicated policies to cope with the problems of socio-economic inequalities among ethnic groups, e.g. in the area of housing, labour market, education and integration. To date, however, the success of these policies has been rather modest. Recently, there has been considerable interest in the new opportunities emerging from ethnic entrepreneurship (see Waldinger et al., 1990). The question naturally arises: is it possible to advocate adjusted forms of creative entrepreneurship to serve as a panacea for urban ethnic disparity problems in the long run?

This issue brings us to the key question of this paper: Do first-generation entrepreneurs differ from second-generation entrepreneurs in their motivation to start their own business? In other words: Do we see a distinct demographic generation effect in terms of ethnic entrepreneurship? The findings presented here aim to shed light on the entrepreneurial motivations of ethnic groups, and hence should enable us to design the contours for a new support policy for ethnic entrepreneurs. Given their high failure rate, this is clearly an extremely important policy issue. This new support policy is based on the need to pay attention to the combined effect of motives for starting up businesses and the necessary preparatory activities.

The present paper starts, in Section 2, with a survey of the relevant literature on this subject. Most writings address ethnic entrepreneurship in general, but unfortunately, empirical studies and sources on generation effects in relation to entrepreneurship among immigrants are practically non-existent. As a result of the overwhelming deficiency of empirical insights, in Section 3, we have formulated a series of tentative working hypotheses, to be tested in empirical studies. The fieldwork for our paper is described in Section 4, and then, in Section 5, we present the analysis of the data collected and the findings from testing our hypotheses. The interpretation of the empirical results follows in Section 6. The paper ends in Section 7 with the formulation of tentative lessons for future policy making.

2. Ethnic Entrepreneurship: Some Findings from the Literature

Much literature has been devoted to the subject of ethnic entrepreneurship (or more properly formulated: entrepreneurship by persons who belong to an ethnic minority group). In this section we highlight the most important issues.

2.1 Prefatory Remarks

The purpose of this paper is not to discuss or refine the definition of 'ethnic entrepreneurship'. For a review we may refer to Chaganti and Greene (2002). They distinguished three groups of ethnic businessmen: immigrant entrepreneurs, ethnic entrepreneurs and minority entrepreneurs. Immigrant entrepreneurs are individuals who, as recent arrivals in the country, have had to start a business as a means of economic survival (Butler and Greene, 1997). Ethnic entrepreneurs are united by a set of socio-cultural connections and regular patterns of interaction among people sharing a common national background or migration experiences (Waldinger, Aldrich, and Ward, 1990). Minority entrepreneurs are business owners who are not of the majority population (U.S. Department of Commerce, 1997). Chaganti and Greene (2002) propose that the term 'ethnic entrepreneur' should be defined by the level of personal involvement of the entrepreneurs in the ethnic community rather than by referring to their ascribed grouping.

Ethnic entrepreneurship has been intensively studied in recent years. The roots of these studies may be found in earlier works dating back to the 1950s. Rinder (1958) stresses the fact that all societies are internally differentiated or stratified, inter alia as a result of their history, level of economic development, societal complexity, cultural values, and orientation. Simmel (1950) mentions that - throughout the history of economics - the stranger everywhere appears as the trader (or the trader as stranger). This obviously places the ethnic entrepreneur in a specific socio-economic context. Bonacich and Modell (1980) define ethnicity as a communalistic form of social affiliation, which depends on the assumption of a special bond between people of common origins or on a

disdain for people of dissimilar origins. Besides affiliation, another important reason may be found in solidarity based on shared class interest. Both forms of solidarity (ethnicity and class) cut across one another in complex societies. A set of ethnic and racial minorities share a comparable position in the social structure of the societies in which they reside: they are known as 'middlemen minorities', and are often active in trade.

The aspects of ethnic entrepreneurship that have been most extensively studied in the literature are the entrepreneurs' relationships with clients, their acquisition of capital and labour, and their motivations (Deakins, 1999). These subjects of course partially overlap, and are also inter-linked. An examination of the literature shows that most of the existing studies are sociological rather than economic in nature. The ethnic group culture - or network - appears to play an important role for explaining the behaviour of ethnic entrepreneurs, or, as Waldinger, Aldrich and Ward (1990) put it: connections and regular patterns of interaction among people sharing a common national background or migration experiences influence the behavior of ethnic entrepreneurs. We will first offer a concise overview of these three main issues in this context.

Ethnic entrepreneurship comprises a multifaceted phenomenon that has at least as many sides as there are different groups. We may refer here to an abundance of studies: Boissevain and Grotenbreg (1986); Aldrich and Waldinger (1990); Waldinger and Aldrich (1990); Waldinger et al (1990); Curran and Blackburn (1993); Barret, Jones and McEvoy (1996); Ram and Deakins (1996); Deakins, Majmudar and Paddison (1997); Lee, Cameron, Schaeffer and Schmidt (1997); Basu (1998); Boraah and Hart (1999); Deakins (1999); Van Delft, Gorter and Nijkamp (2000); Johnson (2000); and Chaganti and Greene (2002).

The literature shows convincingly that it is not possible to distinguish one single model or type of ethnic entrepreneurship or of ethnic business, not even within one given ethnic group (see Curran and Blackburn (1993); Li (1992); Masurel, Nijkamp, Tastan and Vindigni, 2002). For the purpose of our study, we will deal here with three subjects: the general characteristics of the entrepreneurs involved; their motivation to start up on their own; and the

criteria to define different generations. This information on ethnic entrepreneurs is essential for formulating a new support policy for ethnic start-ups.

2.2 The Own Group

Their own ethnic or social group appears to play an important role for the behaviour of ethnic entrepreneurs. The most significant characteristics of ethnic entrepreneurship in general are their relationships with clients and their acquisition of capital and labour (Deakins, 1999). These subjects of course partially overlap, and are also inter-linked. Besides these tangible aspects of entrepreneurship, intangible aspects can also be important; for example, Greene (1997) mentions that the ethnic community may be a source of such intangible assets as values, knowledge or networks upon which entrepreneurs may draw. According to Ram (1994), the social networks of immigrants, comprising community and family, play a major role in the operation of ethnic enterprises. Reliance on these networks may also be caused by the presence of racism in the broader environment. Externally, the group is seen as a means of overcoming racial obstacles in the market, while internally it provides a flexible source of labour and a means of managerial discipline.

Ethnic loyalties, informal networking and communication patterns within the ethnic community provide an ethnic firm with potential competitive advantages. However, the literature also points at ambivalent relationships among ethnic entrepreneurs and their ethnic clientele. Dyer and Ross (2000) noted ambivalent signals by business owners in such relationships: favourable perceptions about ethnic networks in general, and their clientele in particular, were offset by frequent criticism of their fellow countrymen. Donthu and Cherian (1994) also experienced such mixed sentiments. So, membership in a close-knit ethnic group not only provides a competitive advantage but also makes the ethnic entrepreneurs vulnerable.

Besides clientele, important aspects of the relationships within a certain ethnic group are formed by the input variables of labour and finance. Van Delft, Gorter

and Nijkamp (2000) revealed that ethnic-related social networks may provide advantages: they appear to be multifaceted and flexible, and offer good possibilities for the efficient recruitment of personnel and capital. In general, ethnic businesses rely heavily on labour from their particular ethnic group or, more specifically, the (extended) family. Capital can more easily be borrowed informally. In addition, within the network of the ethnic group, individuals are dependent on informal ways of doing business and exchanging information, because there is mutual trust within the network. Lee, Cameron, Schaeffer and Schmidt (1997) called this phenomenon the 'social resources explanation': the success of ethnic minority business can in part be explained by the existence of such social resources as rotating credits, a protected market, and a labour source.

Through their networks of relatives and co-nationals, ethnic entrepreneurs have privileged, flexible access to information, capital and labour (Kloosterman, Van der Leun and Rath, 1998). Deakins, Majmudar and Paddison (1997) stressed the fact that constraints to successful diversification and the development of an ethnic business centre mainly around the ability to access resources (especially finance) and new markets.

Basu (1998) found that the nature of ethnic entrepreneurial entry predominantly depends on the access to informal sources of capital and information, as well as on the entrant's previous experience. Ruiz-Vargas (2000) concluded that non-native (immigrant)-owned businesses had better access to credit markets than natives, possibly because of their economic position and power. Teixeira (1998) mentioned not only friends and relatives as being ethnic resources, but also written media like newspapers. It thus seems plausible that a complex array of ethnic-related input factors may form a promising stimulus for successful entrepreneurship.

Nijkamp (2003) stressed that, although network participation by creative entrepreneurs does not necessarily need an urban base, informal spatial networks may be favourable for ethnic entrepreneurs. According to De Graaff (2002) minimising the costs of adaptation (or migration costs) is the main

reason for the spatial clustering of immigrants. This can be translated into various positive spatial externalities, such as the possibilities of obtaining information, housing and even finding future spouses.

2.3 Motivational Aspects

In general, the ethnic entrepreneurs' motivation to start their own businesses can be expressed in terms of push and pull factors. According to Deakins (1999), the history of disadvantage and discrimination has led to the concentration of ethnic minority firms and entrepreneurs in marginal areas of economic activity. Johnson (2000) mentioned both culture and disadvantage theory in explaining why immigrants become self-employed. Rafiq (1992) sees socio-economic status as a better explanation for ethnic minorities entering business: their socio-economic status is relatively low, which is in part determined by cultural factors. Therefore, Rafiq (1992) states that culture only has an indirect impact on entrepreneurship.

Ethnic entrepreneurship has become a popular strategy in developing principles of self-reliance among ethnic groups, because it stimulates and encourages immigrants to take care of themselves, with only limited support from the government. In this way the economic potential and opportunities of immigrants can be exploited (Van Delft, Gorter and Nijkamp, 2000).

Kloosterman, Van der Leun and Rath (1998) stressed the fact that high levels of unemployment provide the motivation for immigrants to become entrepreneurs. They usually set up their businesses in those sectors where informal production (with low government control) can provide a competitive advantage. These authors noted the increasing opportunities for participation of immigrants in informal activities in both the demand and supply sectors of the traditional economy. In the demand sector, they distinguished: the disintegration of activities in manufacturing and especially in service industries; the fragmentation of consumer markets; the emergence of a demand for ethnic products; and the creation of slots in indigenous markets. In the supply sector

processes of social exclusion and marginalisation, by the society in the host country, appear to be relevant.

This issue was already discussed in the context of a dual labour market by Wilson and Portes (1980), who focussed attention on the incorporation of new immigrants into the labour market. Classical theories of assimilation assume labour supply as a pool in which immigrants start at the bottom and gradually (and occasionally) climb up the socio-economic ladder, while they gain social acceptance. These authors confirmed the theories that considered new immigrants as being mainly additions to the secondary labour market linked with small peripheral firms. They also introduced a third possibility: the 'enclave economy' associated with immigrant-owned firms, defining an 'enclave' as a 'self-enclosed immigrant community' (see also Peterson and Roquebert, 1993).

It is noteworthy that Werbner (1999) states that the concept of success or failure in the context of ethnic entrepreneurs is confusing and even false. A preferred measure of success is the collective creation of value. The ingredients of value are, however, rather vague. Greene (1997) studied the phenomenon of ethnic entrepreneurship using a resource-based approach that focussed on community sponsorship as a sustained competitive advantage. Sponsors can be universities, government agencies, and non-profit organisations. Examples of the services they provide are: location facilities, office furniture, and functional advice. An alternative view of success is the 'class resources explanation' whereby success is caused by greater investment of human and financial capital (Lee, Cameron, Schaeffer and Schmidt, 1997).

The flexibility of the labour market is another success factor. Li (1992) mentions the primordial culture of certain ethnic groups as well as blocked mobility as important reasons for successful development of ethnic entrepreneurship. Yoon (1995) asserts that there are three interacting factors which promote the growth of ethnic entrepreneurship: blocked employment opportunities in the general labour market (because of the language barrier and less transferable education and occupational skills); resource mobilisation (from

stable structures and strong family ties); and business structures (social networks).

2.4 Generations

It is common to distinguish between first and second (and even later) generations when discussing immigrants. For the purpose of this study we use the guidelines of the Dutch Central Bureau of Statistics (CBS). In defining these groups, the 'first generation' refers to those persons who were born abroad and of whom at least one parent was born abroad. Persons who were born in the Netherlands from at least one parent who was born abroad belong to the 'second generation' (CBS, 2000).

Furthermore, two important groups of immigrants can be distinguished: western and non-western immigrants. Western countries of origin are those in Europe (except Turkey), North America and Oceania, plus Japan and Indonesia (including the former Dutch East Indies). Non-western countries of origin are Turkey and all countries in Africa, Latin America and Asia (except Japan and Indonesia). Common groups within the non-western immigrants in the Netherlands are people from Turkey, Morocco, Surinam and the Dutch Antilles (although the latter are part of the Kingdom of the Netherlands).

However, the above mentioned definition of the first generation is rather strict: age at arrival may also play a role. Chiswick and Miller (1994) found that age at arrival varies negatively with post-immigration educational attainment. According to these authors, the determinants and nature of human capital accumulation after arrival is an important step towards understanding the immigrant's adjustment process. Therefore, we should look at alternative approaches of the generation phenomenon.

Veenman (1996) defines the second generation as all children from foreign migrants who are born in the Netherlands or immigrant to the Netherlands at an age of younger than six. His approach puts more emphasis on the importance of the formative or educational years. In his view, the most important question is not where one is born: formation and education are at

least equally important. Therefore, in our study we also use the six years criteria: people who were younger than six years old when immigrating also belong to the second generation. We even added a second alternative: the age of twelve years or the border between primary and secondary education. We call these three different interpretations of the distinction between the first and second generation as 'strict', 'moderate' and 'loose'.

In general, we may expect that the strict difference between first-generation and second-generation ethnic entrepreneurs will yield more contrasting patterns than respectively the moderate and the loose approach. In turn, the moderate approach is likely to yield more contrasts than the loose approach.

A final note on the definition of generations is in order here. We have defined generations here in the context of parenthood and children. However, it appears that in everyday language people may speak of generations by referring to distinct waves of immigration.

3. Hypotheses

On the basis of the literature review above, we can identify a number of motivations for ethnic (and native) entrepreneurs to start their own business. Furthermore, we may also think of different motivations for different generations of immigrants, as the profile of ethnic people is developing over time and is in general coming closer to the autochthonous profile.

As push factors play an important role in inducing ethnic entrepreneurs, the general thought behind our hypotheses is that the first-generation ethnic entrepreneurs entail more push factors, whereas the second generation may exhibit more pull factors. In other words: first-generation immigrants may be more frequently 'forced entrepreneurs' and second-generation immigrants may be more frequently 'voluntarily entrepreneurs'. If we can prove that this difference exists, we can lay out the contours of a new support policy for ethnic entrepreneurs.

Here, we will split up our push and pull factors into various sub-hypotheses. Actually, we have formulated nine testable hypotheses, subdivided into five push factors (H1a - H1e) and four pull factors (H2a - H2d). These hypotheses are the results of literature study (see e.g. Nijkamp, 2003, in combination with the sources mentioned in section 2.3 especially) and internal brainstorm session of the research team. They are specified below.

H1. First-generation ethnic entrepreneurs are - in comparison with second generation ethnic entrepreneurs - more strongly motivated to start their own business as a result of:

- 1a. the threats of actual or potential unemployment;**
- 1b. actual or perceived discrimination on the labour market;**
- 1c. actual or perceived employees' blocked promotion opportunities;**
- 1d. formal or informal recognition of education and skills (such as non-transferability of diplomas obtained in their home country);**
- 1e. obtaining a high socio-economic status.**

H2. Second-generation ethnic entrepreneurs are - in comparison with first-generation ethnic entrepreneurs - more strongly motivated to start their own business as a result of:

- 2a. the need for economic achievement;**
- 2b. new market opportunities;**
- 2c. striving for independence;**
- 2d. using their special talents.**

'Unemployment' and 'discrimination' are the most clear examples of push factors. 'Blocked promotion' and 'the non-transferability of diplomas are also negative motives to start one's own business. Finally, 'obtaining status' was added as a typical first-generation motive, as this is not typical for the Dutch society, and therefore should appear more with first-generation than with second-generation ethnic entrepreneurs. The four motives for the second

generation are more or less regular for starting anyone's own business (see e.g. Shane, Kolvereid and Westhead (1991), Birley and Westhead (1994), Gatewood, Shaver and Gartner (1995), Kolvereid (1996), Feldman and Bolino (2000) and Carter, Gartner, Shaver and Gatewood, 2003).

We will now try to offer some empirical evidence on these nine sub-hypotheses. The research in our paper will be limited to the first and second generations. It can be presumed that the third and further generations are more similar to the second generation than to the first generation, as these later generations may have settled down even more cohesively in the new social environment.

4. Empirical Fieldwork

In our investigation we have chosen to study one specific group of ethnic entrepreneurs, viz. those of Turkish origin. This group is illustrative of ethnic entrepreneurs in the Netherlands and is very recognisable in the Dutch urban socio-demographic landscape.

The first wave of Turkish immigration to the Netherlands took place in the 1960s and 1970s. The shortage of unskilled labourers led the Dutch government to sign a treaty with the Turkish government for the immigration of what are known as 'guest labourers'. According to Dieleman (1993) many immigrants came to the Netherlands in the 1960s and 1970s to work in the old industries. As elsewhere, they filled the demand for workers at the bottom of the job market. However, they were unlucky, as the economic crisis hit the Dutch economy soon afterwards, especially the old industries. Faced with exclusion from new job opportunities in the restructured urban economy (e.g. in the service sector), a number of them tried to make a niche as small business entrepreneurs.

Following the initial solo immigration period, the males were then joined by their families in the 1970s and 1980s. Today, there are some 300,000 people of Turkish origin who reside in the Netherlands (about 2% of the total population). This figure is not entirely unambiguous, as any definition

determines its own results. About 60% of the Turks in the Netherlands belong to the first generation. In Amsterdam alone, there are about 35,000 Turkish inhabitants (about 5% of the population) (Feiter, Sterckx and De Gier, 2001).

Choenni (1997) noted that more than 10% of the Turkish working population in Amsterdam consists of entrepreneurs, and they constitute about 20% of all ethnic entrepreneurs in Amsterdam. This information is somewhat dated, however, and it is likely that their share has increased. The hospitality sector (restaurants, cafés, bars) is an important domain for Turkish entrepreneurs. Recent research indicates that, in relation to the total population, Turkish entrepreneurs account for the highest percentage of start-ups among all groups (including the native Dutch) in the Netherlands: 11.5% of the Turkish working population started their own firm in 2000, versus 6.5% of all other groups (www.kvk.nl).

Jansen et al. (2003) conclude that, despite certain disadvantages compared with the native Dutch population, immigrants from Turkey show the same rate of entrepreneurship. Although the Turkish immigrants show similar characteristics to other immigrants (from Morocco, Suriname and the Antilles), their rate of entrepreneurship is much higher.

Kruidenink (2000) concluded that the percentage of starters is far higher for ethnic groups than for domestic groups. However, their failure rate is also much higher. This results in a relatively low survival rate. Clearly, because ethnic entrepreneurship is a multifaceted phenomenon, a made-to-measure policy is imperative.

It should be noted that interviewing minorities is always difficult, as there is often a lack of confidence in the meaning of this type of research. There is also a fear that information on what are sometimes informal activities is not in the interest of the ethnic entrepreneur. Werbner (1999) mentioned the occasional nature of their earnings and the unreported, informal economy as main reasons for false statistics in the context of ethnic entrepreneurship.

40 Turkish entrepreneurs in the hospitality sector in the Dutch cities of Amsterdam (28), Alkmaar (8) and Zaandam (4) were interviewed in the period

June-July 2001. The interviewer, a second-generation Turk living in the Netherlands, had mastered the Turkish language as well as the Dutch language. The majority of the respondents preferred the Turkish questionnaire to the Dutch version. In total, 52 Turkish grocers were asked to participate in the interviews, sometimes informally. The main reasons why some of the entrepreneurs refused to co-operate were lack of time and no interest. The selection process was not easy, as there is no official record of Turkish entrepreneurs. The Yellow Pages were initially used to select the participants, followed by the interviewer visiting the shop. Some participants were selected by walking around in neighbourhoods where many Turkish entrepreneurs are operating. The selection criteria were twofold: respondents must be Turkish and they must be entrepreneurs in the hospitality sector. More than half (57.5%) of the respondents were younger than 25 years old. Most of them (82.5%) were born in Turkey, the rest were born in the Netherlands (12.5%) or elsewhere (5.0%). More than half of the immigrants were not older than 20 years old when they came to the Netherlands. And, except for one respondent, all were males. The parents of the respondents came from all parts of the country: Central (46.2%), East (35.9%) and West (17.9%). The great majority of the respondents had only completed secondary education. The sample is certainly not statistically representative, but the general impression is that it offers a fairly reliable picture.

5. Data Analysis

The purpose of the fieldwork was to gather data on different generations of ethnic entrepreneurs. We clustered the questions into five groups: (i) characteristics of the firm; (ii) networks; (iii) problems; (iv) motivation to start the firm; and (v) personal characteristics of the respondent. For testing the sub-hypotheses we confronted the questions from the fourth cluster with the questions on where the respondent and his parents were born (fifth cluster). Now we come to the matter of proving differences between the first and the second generation. For analysing the results we used the Wilcoxon-test.

Normally, one should use the T-test but this test was not appropriate here; the reason is that not all items showed a normal distribution. The latter characteristic of the data is also caused by the fact that we used a sample of only 40 interviewees. We used all nine items for the three approaches to generation definition: strict, moderate and loose.

First, we investigate the motivations for the group as a whole. From Table 1 it becomes clear that 'using your own talents', 'striving for independence' and 'need for achievement' are the most important motivations for the Turkish entrepreneurs to start up on their own. Then follow 'using market opportunities' and 'obtaining status'. The third group of motivations is 'transferability of diplomas', 'blocked promotion' and 'discrimination'. 'Unemployment' is the least important factor for the entrepreneurs to start their own business. So we can conclude that pull factors (and not push factors) obviously dominate in the immigrants' motivations to start their own firms.

== TABLE 1 ABOUT HERE==

We will now point out the differences between the first-generation and second-generation entrepreneurs. From Table 2 we see that unemployment does not make any difference between first-generation and second-generation entrepreneurs, for any of the three definitions.

== TABLE 2 ABOUT HERE==

The first significant result concerns 'discrimination': this appears to be more important for first-generation entrepreneurs in comparison with second-generation entrepreneurs, according to the strict definition. This complies with our hypothesis. As the definition of generations becomes less tight (i.e. switching to moderate and loose), the difference becomes insignificant.

'Blocked promotion' is more important to second-generation entrepreneurs, both according to the strict definition and the moderate definition. This is

striking, because we expected the reverse. The loose definition does not yield any significant difference at all.

Then we see that 'non-transferability of diplomas' is more relevant for first-generation entrepreneurs, both according the moderate and the loose definition. This result is in accordance with our hypothesis, although we note that the strict definition does not yield the expected results.

'Obtaining status' is more important for first-generation entrepreneurs, according to the moderate and the loose definition. This is in accordance with our hypothesis. The strict definition does not yield significant results.

The remaining items ('unemployment', 'need for achievement', 'making use of market opportunities', 'striving for independence' and 'using talents') do not yield any significant differences, for any of the definitions of generation.

So, our hypotheses can only partially be accepted. To a certain extent, however, first-generation ethnic entrepreneurs appear to be more motivated by push factors, while second-generation ethnic entrepreneurs appear to be more motivated by pull factors.

6. Discussion of Results

From testing our hypotheses, we see that first-generation ethnic start-ups derive more motivation from 'discrimination', 'non-transferability of diplomas' and 'obtaining status', in comparison with their second-generation counterparts. The latter group extracts more motivation from 'blocked promotion'. At a higher abstraction level, we may conclude that the first generation is more driven by push factors, resulting in some form of captive entrepreneurship. The second generation chooses to start their own businesses more voluntarily. We may suppose that people who are forced into entrepreneurship make worse preparations than people who deliberately choose to be entrepreneurs. This difference in preparation may be reflected in the quality of business plans, profitability and survival rates.

One can imagine that, as time passes, discrimination has diminished and thus less motivates the immigrants' offspring to start their own business. Fewer

problems with the transferability of diplomas is logical, because the second generation normally achieve their diplomas in the country of current residence (after all, post-immigration educational attainment varies negatively with age on arrival). 'Obtaining status' becomes less important as the generations proceed and those people of Turkish descent start to show more native characteristics: this diminishing importance of 'obtaining status' is in accordance with the Dutch culture.

With regard to 'blocked promotion' we found that this factor is more important for the second generation than for the first generation. This result is not what we expected. Apparently, second-generation people are more assertive and see starting their own business more as a viable alternative to sticking in an unfavourable position.

Both groups do not differ when we look at deriving motivation from 'unemployment', 'need for achievement', 'market opportunities', 'striving for independence' and 'using talents'. This absence of differences for five out of the nine possible motivations is rather unexpected, given the relevant literature. Ethnic minority entrepreneurs of the first generation are more frequently motivated to start their own business for reasons of 'discrimination', 'non-transferability of diplomas' and 'obtaining status', in comparison with their second-generation counterparts. These are recognisable differences. However, differences did not occur for all three definitions of the first and second generations. We would expect that the differences are likely to occur mostly for the strict definition, after that for the moderate definition and, finally, for the loose definition. This is partly the case for 'discrimination' (the strict definition is the only one which yields significant results) and for 'blocked promotion' (the strict and the moderate definition yielded significant results). Concerning 'non-transferability of diplomas' and 'obtaining status' we observe reverse effects, as both the moderate and loose definitions are more significant than the strict definition.

So the generation effect is present, though less than we expected. There are four reasons for this gap between expectations and reality. First, the Turkish

culture may not have changed significantly in the last decades, resulting in fewer differences between the first and second generation than we expected. Second, we may suppose that the first generation has adapted more quickly than expected to the new environment. This could have to do with the specific culture of the Turks, as they are seen as the most entrepreneurially-oriented group in the Netherlands. Third, we should point to the possibilities of selective distortion and regency effects: entrepreneurs of the first generation may interpret and perceive their past motivation to start their own business differently compared with their actual motivation at that time. For example, respondents may now state that unemployment was not an important reason to start up on their own at that time, while it actually may have been important for them in those days. Fourth, and finally, undoubtedly a number of first-generation ethnic entrepreneurs have gone bankrupt and disappeared from the scene, because they were not talented enough. Push factors drove them into a situation of forced entrepreneurship. This may especially account for those with a typical first-generation motivation to start their own businesses. Therefore, the differences between the first and second generation in our research project were less present than we expected.

7. Policy Lessons and Recommendations

In this study on ethnic minority entrepreneurs, we found a number of differences between the first generation and the second generation, although fewer differences than we expected. When it comes to starting their own business, first generation entrepreneurs are more motivated by discrimination, by problems with the transferability of their diplomas and by obtaining status. Second-generation ethnic entrepreneurs are more motivated by blocked promotion in their previous jobs. The remaining items (need for achievement, benefit from market opportunities, striving for independence, and using their own talents) did not yield any significant differences between the two groups. Having now shown the differences between the two generations, we may have laid the basis for a new support policy for ethnic entrepreneurs. This policy

should not be uniform but multifaceted and tailor-made, with recognition not only of different ethnic groups but also of different generations, as we know now that the motivations between the two generations differ and so too will their management. This new support policy takes as its basis the need to pay attention to both the immigrants' motives for starting up in business and the necessary preparatory activities. This combination can be translated into projects and programmes.

Nijkamp and Voskuilen (1996) clustered policy responses towards the absorption of new immigrants in the following ways:

- Projects aimed at training on basic skills: these projects help the new immigrants in the first period after arrival in the host country. Examples are: language training programmes, cultural adaptation programmes, etc.
- Vocational training programmes: these are developed to improve the educational level and the professional skills of immigrants in order to provide a better match with current demand in the labour market. Examples are: vocational guidance, self-employment programmes, etc.
- Labour market absorption programmes: these are developed to improve the labour market outcomes for immigrants. Examples are: application training, labour market intermediaries, temporary in-company training programmes, etc.

Gorter et al (1998) mentioned further ways to improve the labour market absorption process of foreign immigrants in local labour markets: subsidising the employment of disadvantaged workers, the introduction of anti-discrimination legislation (quotas, registration, affirmative action, etc). In addition, governments could remove institutional barriers in order to stimulate self-employment activities for new immigrants.

However, the first-generation immigrants in our project are different from the traditional groups of immigrants. The first generation was initially employed in the old industries, etc., but became entrepreneurs for various reasons, mostly push factors. Hence, there is the danger that they fall between two stools, i.e.

between the policy oriented at (former) ethnic employees in these sectors and the policy oriented at ethnic start-ups in general.

It was stated earlier in this paper that a made-to-measure policy is desirable. Ethnic entrepreneurship is a multifaceted phenomenon, and from this paper we learned that first generation ethnic entrepreneurs are also a specific group, with different starting motives in comparison with their second-generation counterparts.

The outcomes of our research (first-generation start-ups show different motivations in comparison with second-generation start-ups) should be reflected in training programmes and business consultancy, especially by the Chambers of Commerce. The motivation behind the second-generation start-ups is more comparable to the motivation of native start-ups, and therefore may be integrated (partially) in their training courses. The first-generation start-ups concern a very special group and therefore they should be treated differently in this respect. This may help to combat the high failure rate of ethnic start-ups (backed up by a further analysis of the reasons for this high failure rate). Special attention should be paid to break-out strategies, i.e. shifting the entrepreneurial focus from clients only from the entrepreneurs' own ethnic group to clients from other groups as well, and to designing proper business plans.

The importance of entrepreneurship training is confirmed by Henry, Hill and Leich (2003). The following issues should be of particular interest to policy makers: early-stage awareness-raising through the education system; providing secure funding for programmes; pre-programme screening; evaluation; and ensuring wide access.

It has already been stated in this paper that ethnic entrepreneurship is a multifaceted phenomenon with at least as many sides as there are ethnic groups. Therefore, a research and policy recommendation is that the generation effect should also be investigated for other ethnic minority groups.

Our final recommendation is that more attention should be paid to the definition of the first and second generations, as our three different definitions

of this concept yielded some unexpected results in the present study. A flexible approach, with due attention to the differences for the various groups of immigrants, is recommended.

References

- Aldrich, H.E. and R. Waldinger, 1990, 'Ethnicity and Entrepreneurship', *Annual Review of Sociology*, 16, 111-135.
- Barret, G.A., T.P. Jones and D. McEvoy, 1996, 'Ethnic Minority Business: Theoretical Discourse in Britain and North America', *Urban Studies*, Vol. 33, No's 4-5, 783-809.
- Basu, A., 1998, 'An Exploration of Entrepreneurial Activity among Asian Small Businesses in Britain', *Small Business Economics*, 10, 313-326.
- Birley, S. and P. Westhead, 1994, A Taxonomy of Business Start-Up Reasons and Their Impact on Form Growth and Size, *Journal of Business Venturing*, 9, 1, 7-31.
- Boissevain, J. and H. Grotenbreg, 1986, 'Culture, Structure and Ethnic Enterprise: The Surinamese of Amsterdam', *Ethnic and Racial Studies*, 9, 1, January, 1-23.
- Bonacich, E. and J. Modell, 1980, 'The Economic Basis of Ethnic Solidarity', University of California Press, Los Angeles.
- Boraah, V.K. and M. Hart, 1999, 'Factors Affecting Self-Employment among Indian and Black Caribbean Men in Britain', *Small Business Economics*, 13, 111-129.
- Butler, J.S. and P.G. Greene, 1997, Ethnic Entrepreneurship: The Continuous Rebirth of American Entrepreneurship, in D.L. Sexton and R.W. Smilor, *Entrepreneurship 2000*, Upstart Publishing Co, Chicago, 267-289.
- Carter, N.M., W.B. Gartner Carter, K.G. Shaver and E.J. Gatewood, 2003), The Career Reasons of Nascent Entrepreneurs, *Journal of Business Venturing*, 18, 13-39.
- CBS, *Index*, No. 10, November/December 2000, 12-13.
- Chaganti, R. and P. G. Greene, 2002, 'Who Are Ethnic Entrepreneurs? A Study of Entrepreneurs' Ethnic involvement and Business Characteristics', *Journal of Small Business Management*, 40, 2, April, 126-1434.

Chiswick, B.R. and P.W. Miller, 1994, 'The Determinants of Post-Immigration Investments in Education', *Economics of Education Review*, Vol. 13, No. 2, 163-177.

Choenni, A., 1997, *Veelsoortig assortiment (Multifaceted Assortment)*: Het Spinhuis, Amsterdam.

Choenni, A.O. and C.E.S. Choenni, 1998, Allochtoon ondernemerschap (Foreign Entrepreneurship), in D.P. Scherjon and A.R. Thurik, *Handboek ondernemers en adviseurs in het MKB (Handbook of Entrepreneurs and Advisors in the SME Sector)*, Kluwer Bedrijfsinformatie, Deventer, 548-578.

Curran, J. and R. Blackburn, 1993, *Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Business in Two Localities*: Small Business Research Centre and the Midland Bank, August.

Deakins, D., M. Majmudar and A. Paddison, 1997, 'Developing Success Strategies for Ethnic Minorities in Business: Evidence from Scotland', *New Community*, July, 23, 3, 325-342.

Deakins, D., 1999, *Entrepreneurship and Small Firms*: second edition, McGraw-Hill, London.

Delft, H. van, C. Gorter and P. Nijkamp, 2000, 'In Search of Ethnic Entrepreneurship Opportunities in the City: A Comparative Policy Study', *Environment and Planning C: Government and Policy*, 18, 429-451.

Dieleman, F., 1993, 'Multicultural Holland: Myth or Reality?', in: R. King (ed.), *Mass Migrations in Europe: The Legacy and the Future*, Belhaven Press, London, 118-135.

Donthu, N. and J. Cherian, 1994, 'Impact of Strength of Ethnic Identification on Hispanic Shopping Behavior', *Journal of Retailing*, 70, 4, 383-393.

Dyer, L.M. and C.A. Ross, 2000, 'Ethnic Enterprises and their Clientele', *Journal of Small Business Management*, 38, 2, April, 48-66.

Feldman, D.C. and M.C. and Bolino, 2000, Career Patterns of the Self-Employed: Career Motivations and career Outcomes, *Journal of Small Business Management*, 38, 3 53-67.

Gatewood, E.J., K.G. Shaver and W.B. Gartner, 1995, A Longitudinal Study of Cognitive Factors Influencing Start-Up Behaviors and Success at Venture Creation, *Journal of Business Venturing*, 10, 371-391.

Gorter, C., P. Nijkamp and J. Poot (eds.), 1998, *Crossing Borders: Regional and Urban Perspectives on International Migration*, Ashgate, Aldershot.

Graaff, de T., 2002, Migration, *Ethnic Minorities and Network Externalities*, Research Series Tinbergen Institute/Free University, Amsterdam.

Greene, P.G., 1997, 'A Resource-Based Approach to Ethnic Business Sponsorship: A Consideration of Ismaili-Pakistani Immigrants', *Journal of Small Business Management*, October, 35, 4, 58-71.

Henry, C., F. Hill and C. Leitch, 2003, 'Developing a Coherent Enterprise Support Policy: A New Challenge for Governments', *Environment and Planning C*, 21, 3-19.

Jansen, M., J. de Kok, J. van Spronsen and S. Willemsen, *Immigrant Entrepreneurship in the Netherlands*, Research Report H200304, EIM, Zoetermeer, June 2003.

Johnson, P.J., 2000, 'Ethnic Differences in Self-Employment among Southeast Asian Refugees in Canada', *Journal of Small Business Management*, October, 38, 4, 78-86.

Kloosterman, R., J. van der Leun and J. Rath (1998), 'Across the Border: Immigrants' Economic Opportunities, Social Capital and Informal Business Activities', *Journal of Ethnic and Migration Studies*, April, 4, 2, 249-268.

Kolvereid, L., 1996, Organizational Employment versus Self-Employment: Reasons for Career Choice Intentions, *Entrepreneurship Theory and Practice*, 20, 3, 23-31.

Kruidenink, E., 2000, 'Allochtoon ondernemen' ('Foreign Entrepreneurship'), *ESB*, 85, 144-146.

Lee, Y., T. Cameroen, P. Schaeffer and C.G. Schmidt, 1997, 'Ethnic Minority Small Business: A Comparative Analysis of Restaurants in Denver', *Urban Geography*, 18, 7, 591-621.

Li, P.S., 1992, 'Chinese Investment and Business in Canada: Ethnic Entrepreneurship Reconsidered', *Pacific Affairs*, 219-243.

Masurel, E., P. Nijkamp, M. Tastan and G. Vindigny, 'Motivations and Performance Conditions for Ethnic Entrepreneurship', *Growth and Change*, 33, 2, 238-260.

Nijkamp, P., and M. Voskuilen, 1996, 'Urban Migrant Absorption', in: M. Chatterji and R. Domanski (eds.), *Urban and Regional Management in Countries in Transition*, Polish Academy of Sciences, Warsaw, 93-114.

Nijkamp, P., 2003, 'Entrepreneurship in a Modern Network Economy', *Regional Studies*, 37, 4, 395-405.

Peterson, M.F. and J. Roquebert, 1993, 'Success Patterns of Cuban-American Enterprises: Implications for Entrepreneurial Communities', *Human Relations*, 6, 8, 921-937.

Rafiq, M., 1992, 'Ethnicity and Enterprise: A Comparison of Muslim and Non-Muslim Owned Asian Business in Britain', *New Community*, 19, 1, 43-60.

Ram, M., 1994, 'Unravelling Social Networks in Ethnic Minority Firms', *International Small Business Journal*, April-June, 12, 3, 42-53.

Ram, M. and D. Deakins, 1996, 'African-Caribbeans in Business', *New Community*, January, 22, 1, 67-84.

Rinder, I.D., 1958, 'Strangers in the Land: Social Relations in the Status Gap', *Social Problems*, 6, 253-260.

Ruiz-Vargas, Y., 2000, 'Small Business Financing Sources between Immigrants and Natives in Puerto Rico', *The Quarterly Review of Economics and Finance*, 40, 387-399.

Shane, S., L. Kolvereid and P. Westhead, 1991, An Explanatory Examination of the Reasons leading to New Firm Formation Across Country and Gender (Part 1), *Journal of Business Venturing*, 6, 6, 431-446.

Simmel, G., 1950, 'The Stranger', in G. Simmel, *The Sociology of George Simmel*, The Free Press, New York, 402-408.

Smeets, H.M.A.G., E.P. Martens and J. Veenman, 2000, Jaarboek minderheden (*Yearbook Minorities*), Bohn Stafleu Van Loghum, Houten.

Tesser, P.T.M., J.G.F. Merens and C.S. Van Praag, Rapportage minderheden (*Reporting Minorities*), 1999.

Texeira, C., 1998, 'Cultural Resources and Ethnic Entrepreneurship: A Case Study of the Portuguese Real Estate Industry in Toronto', *The Canadian Geographer*, 42, 3, 267-281.

U.S. Department of Commerce, 1997, *The State of Small Business: A Report of the President*, Washington D.C., U.S. Government Printing Office.

Veenman, J., 1996, *Keren de kansen? De tweede-generatie allochtonen in Nederland (Taking Turns? The Second-Generation Foreigners in the Netherlands)*, Van Gorcum, Assen.

Waldinger, R., H. Aldrich, R. Ward and Associates, 1990, *Ethnic Entrepreneurs: Sage Series on Race and Ethnic Relations*, Vol.1.

Waldinger, R. and H. Aldrich, 1990, 'Trends in Ethnic Business in the United States', in: R. Waldinger, H. Aldrich, R. Ward and Associates, *Ethnic Entrepreneurs: Sage Series on Race and Ethnic Relations*, Vol.1, 49-78.

Waldinger, R., H. Aldrich, W.D. Bradford, J. Boissevain, G. Chen, H. Korte, R. Ward and P. Wilson, 1990, 'Conclusions and Policy Implications', in: R. Waldinger, H. Aldrich, R. Ward and Associates, *Ethnic Entrepreneurs: Sage Series on Race and Ethnic Relations*, Vol. 1, 177-197.

Werbner, P., 1999, 'What Colour "Success"? Distorting Value in Studies of Ethnic Entrepreneurship', *The Editorial Board of The Sociological Review* 1999, 548-575.

Wilson, K.L. and A. Portes, 1980, 'Immigrant Enclaves: An Analysis of the Labor Market Experience of Cubans in Miami', *American Journal of Sociology*, 86, 2, 295-319.

Yoon, I.-J., 1995, 'The Growth of Korean Immigrant Entrepreneurship in Chicago,' *Ethnic and Racial Studies*, 18, 2, April, 315-335.

Table 1. Motivation (1)

	(strongly) disagree	neither disagree nor agree	(strongly) agree
Unemployment	85.0	5.0	10.0
Discrimination	75.0	15.0	10.0
Blocked promotion	57.5	20.0	22.5
Non-Transferability diplomas	55.0	17.5	27.5
Status	20.0	30.0	50.0
Market opportunities	10.0	42.5	47.5
Need for achievement	5.0	7.5	87.5
Independence	7.5	12.5	80.0
Using talents	7.5	2.5	90.0

Table 2. Motivation (2)

	Unemploy- ment	Discrimi- nation	Blocked promotion	Non- transfera- bility diplomas	Status	Need for achieve- ment	Market opportuni- ties	Indepen- dence	Using talents
Strict Definition	0.4904	*0.0539	**0.0358	0.2209	0.1426	0.4191	0.2875	0.3948	0.2674
Moderate Definition	0.4779	0.1478	**0.0749	*0.0326	*0.0025	0.3645	0.1912	0.2935	0.1162
Loose Definition	0.3378	0.3365	0.1032	*0.0100	*0.0152	0.1978	0.2619	0.4146	0.1255

* More Important for Generation 1 (Significant at the 10% Level)

**More Important for Generation 2 (Significant at the 10% Level)